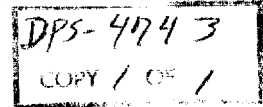# SECRET

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October 2, 1958

Dear Dan:

During your last visit you and Sid W. discussed the question raised by Customer B regarding the fee paid on System 2 work covered by our proposal of 12 September 1957 (CMCC Document No. 151x5.710). In that letter we proposed an R&D program to develop prototypes of field station and dual base station equipment and a quantity of production units based on these prototypes. As stated in our letter of 2 May 1958 (CMCC Document No. 151x5.1082), a cascading series of unexpected problems caused the costs of the R&D program to greatly exceed our original estimates. Thus rather than the R&D program costing some $[   ] as we originally planned, the total fund of $[   ] was required to develop and test the prototype field station and dual base station equipments. Although these additional costs were not anticipated, they still remain the responsibility of the Contractor and should be considered an overrun. Thus we consider it equitable to accept no fee on the difference between $[   ] proposed and the $[   ] expended. We would suggest your incorporating into the next contract amendment provision for deleting from the Contractor's fixed fee [   ] of this amount, [   ] 25X1

25X1
25X1

25X1

25X1

25X1

Production of these systems will be performed under a new contract to be negotiated with Customer B. It is our understanding that the fee reduced by the above procedure will be given to Customer B to be applied against the new contract. It seems desirable to handle this in the above manner to avoid establishing a fee precedent different from our usual fee policy.

Sincerely,

Dean

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